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## **INTRODUCTION**

The Office of Internal Audit performed an audit of the Taylor District for the period November 1, 2001 through February 25, 2003. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Taylor District had 54 full time equated positions (FTE's) at the time of our review. The Taylor District provided assistance to an average 6597 recipients per month during FY 2001, with total assistance payments of \$8,570,076 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at The Taylor District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

Food Stamp Inventory and Issuance

State Emergency Relief (SER)

Client Processing

IRS Information Security

Cash Disbursements

Procurement Card

Medical Transportation

Employment Support Services

CIS/ASSIST

Payroll and Timekeeping

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Taylor District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

## **DISTRICT OFFICE RESPONSE**

The management of the Taylor District, Wayne County FIA has reviewed all findings and recommendations included in this report. They indicated in a telephone conversation on April 23, 2003 that they are in general agreement with the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Safe and Controlled Documents**

#### **Controlled Document Reconciliation Approval**

1. The Taylor District did not have supervisory approval signature on the Monthly Controlled Document Inventory and Reconciliation (FIA-4351). Accounting Manual Item 403 requires the supervisor to approve the FIA-4351 by reviewing and signing the form. Requiring supervisory approval ensures the accuracy of the inventory and ensures all controlled documents are properly used.

WE RECOMMEND that the Taylor District have the supervisor approve the FIA-4351's for all controlled documents.

#### **Controlled Documents Inventory and Reconciliation ( FIA-4351)**

2. The Taylor District did not properly control blank documents. We noted that the local office had controlled documents in the safe as of January 2003 and did not

prepare the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for December 2002. Accounting Manual Item 403 requires that the Monthly Controlled Document Inventory and Reconciliation be prepared to help ensure that loss, theft, or misuse of controlled documents, which could be used to generate unauthorized payments, would be detected on a timely basis.

WE RECOMMEND that The Taylor District prepare the Monthly Controlled Document Inventory and Reconciliation for all controlled documents.

#### Controlled Document Log and Reconciliation of Official Field Receipts

3. The Taylor District did not properly control blank field receipts (FIA-3543). We noted that the local office was not using the Controlled Document Log (FIA-4070) for Official Field Receipts (FIA-3543) or preparing Monthly Controlled Document Inventory and Reconciliation (FIA-4351) since July 2002. The physical inventory of Official Field Receipts was 49 receipts less than what the inventory records showed. Accounting Manual Item 403 requires that the Controlled Document Log and Monthly Controlled Document Inventory and Reconciliation be prepared for all controlled documents monthly. Use of the Controlled Document Log and preparation of the Monthly Controlled Document Inventory and Reconciliation help to ensure that loss, theft, or misuse of controlled documents, which could be used to generate unauthorized payments, would be detected on a timely basis.

WE RECOMMEND that Taylor District record the inventory of field receipts on the Controlled Document Log and prepare the Monthly Controlled Document Inventory and Reconciliation for field receipts.

## **State Car Usage**

### **Maintaining State Car Logs**

4. The Taylor District did not properly maintain state car mileage logs. The total monthly miles driven were not recorded and the log was not signed and dated by the authorized agent for the districts 3 state cars. Maintaining complete mileage logs will help ensure the state cars were used for business use and mileage is properly recorded.

WE RECOMMEND that the Taylor District maintain complete and accurate log for each state car and the supervisor approve the mileage by signing and dating the mileage log.

## **CIS/ASSIST/LASR Security**

### **CIS Security Agreements**

5. The Taylor District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for all employees who access the Client Information System (CIS), as required by L-Letter 97-063. Four out of 55 employees had a status code indicated on the FIA-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with the CIS access.

WE RECOMMEND that the Taylor District ensure that all employees who have access to CIS system have an accurate, up-to-date Security Agreement on file.

#### Security Officers Log Report (VB9-173)

6. The Taylor District did not reconcile the Security Officers Log Report (VB9-173) to the ASSIST Enrollment Profiles (FIA-3721) as recommended by the Primary Internal Control Criteria for Local/ District Office Operations. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that the Taylor District reconcile VB9-173 reports to revised Enrollment Profiles.

#### LOA Security

7. The Taylor District did not maintain backup tapes for its Local Office Automation (LOA) System at an off-site location. Backup tapes should be stored off-site to protect them in the event of a flood, fire, or other disaster, to ensure that the District would be able to reconstruct its records if necessary.

WE RECOMMEND that Taylor District maintain a backup tape of its LOA System at an off-site storage location.

#### MA-010 Reconciliation –Case Openings

8. The Taylor District did not reconcile a sample of new case openings listed on the Transaction Control Report (MA-010) to the case file documentation, as recommended by the Primary Internal Criteria for FIA Local/District Office Operations. A sample reconciliation of openings provides assurance that only their assigned workers opened cases.

WE RECOMMEND that the Taylor District reconcile a sample of case openings on the MA-010 to the appropriate documentation in the case file.

## IRS Information Security

### Knowledge of IRS Security Procedures

9. Mailroom staff, Family Independence Specialists (FIS) and Eligibility Specialists (ES) at the Taylor District were unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that the Taylor District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.